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90-1781

Supreme Court, U.S.
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No. _____

IN THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1991

ALFLEX CORPORATION

Petitioner,

v.

UNDERWRITERS LABORATORIES, INC.

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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Statement Pursuant to Rule 29.1

Petitioner Alflex Corporation has the following parent company: ADF, Inc. ADF, Inc. is owned by two entities: AEA Investors and Prudential Bache.

Petitioner Alflex Corporation has no subsidiaries.

QUESTIONS PRESENTED FOR REVIEW

1. Whether Section 43(a) of the Lanham Act, which authorizes civil actions in cases involving false designation of origin and false descriptions of goods, is limited to actions between competitors.

2. Whether Blatty v. New York Times Company, 42 Cal. 3d 1033, 232 Cal. Rptr. 542 (1986), cert. denied, 45 U.S. 934 (1988) improperly creates a new First Amendment privilege with respect to false advertising and unfair competition claims.

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I.

OPINION BELOW

The opinion of the United States Court of Appeals for the Ninth Circuit relating to the Lanham Act and unfair competition claims of petitioners was filed on September 10, 1990. The opinion was not for publication. It is reprinted at P. 1 of the Appendix ("A-1").

II.

JURISDICTION

The Court of Appeals for the Ninth Circuit entered its Opinion relating to Petitioner's Lanham Act and unfair competition claims on September 10, 1990. On September 24, 1990, Alflex Corporation filed a timely "Petition for Rehearing and Suggestion for Rehearing En Banc." On December 20, 1990, the

United States Court of Appeals for the Ninth Circuit entered an order denying the Petition for Rehearing and Suggestion for Rehearing En Banc." This order is reprinted in the Appendix at A-25. Petitioner invokes this Court's jurisdiction pursuant to 28 U.S.C. Section 1254(1).

III.

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

The principal Constitutional provision involved is the First Amendment.

The principal statute involved is the Lanham Act, Section 43(a) (15 U.S.C. Section 1125(a)), as amended November 16, 1988. The statute is reprinted at p. A-27 of the Appendix. The statute as amended is reprinted at p. A-29 of the Appendix.

IV.

STATEMENT OF THE CASE

Alfex Corporation ("Alflex") is a manufacturer of electrical conduit. In 1968, Alflex submitted a flexible metal electrical conduit product to Underwriter's Laboratories, Inc. ("UL"), the nation's largest certification company, for product listing. UL thereafter developed a standard for flexible electrical conduit. On February 19, 1969 UL, listed Alflex's flexible metal electrical conduit. In the mid 1970s, a third-party, the Carlon Company, developed a flexible plastic electrical conduit which it submitted to UL for testing. On May 15, over the objections of members of its advisory council, UL announced that it would list and apply its certification mark to Carlon's flexible plastic electrical conduit despite the fact that the product did not meet the same standards required of other flexible electrical

conduits, such as Alflex's metal electrical conduit. On May 26, 1987, Alflex brought suit against UL seeking damages and injunctive relief for violation of the Lanham Act, breach of contract, negligence, unfair competition, and other claims.

V.

HOW THE FEDERAL QUESTION AROSE BELOW

The jurisdiction of the District Court was invoked under Section 43(a) of the Lanham Act (15 U.S.C. Section 1121), and under 28 U.S.C. Section 1332 because of diversity of citizenship, the plaintiff being a citizen of California and the defendant a citizen of Delaware.

REASONS FOR GRANTING THE WRIT

I.

In Its Opinion The Ninth Circuit Held That Competition Is Necessary In Order To Assert A Claim Under The Lanham Act, Thereby Creating A Conflict Both With Prior Ninth Circuit Decisions And Decisions In Other Circuits.

In its Opinion, the Ninth Circuit did not address its previous decision in Smith v. Montoro, 648 F.2d 602 (9th Cir. 1981). In that case, the Ninth Circuit rejected the contention that Section 43(a) of the Lanham Act is limited to actions between competitors. Defendants there contended that plaintiff could not sue because he was "not in any sort of competition" with them. Id. at 607. The Ninth Circuit held unequivocally that "a plaintiff under Section 43(a) need not be in actual competition with the alleged wrongdoer." Id. Rather, "the dispositive question is whether the party has a

reasonable interest to be protected against." Id. at 605, 608 (quoting New West Corp. v. NYM Co. of California, Inc., 595 F.2d 1194, 1198 (9th Cir. 1979)). The Ninth Circuit concluded that even though plaintiff and defendants were not competitors, plaintiff could sue because he alleged an injury to his business interests. Id. at 608.

In its Opinion, the Ninth Circuit relies on Halicki v. United Artists Communications, Inc., 812 F.2d 1213 (9th Cir. 1987) and completely ignores Smith v. Montoro. To the extent Halicki requires that the parties be in competition, it is in direct conflict with Smith v. Montoro.[1] All other Circuits

[1] In fact, Halicki does not require that the parties be in competition, but rather "to be actionable conduct must not only be unfair but must in some discernable way be competitive." 812 F.2d at 1214. The Court held that summary judgment was proper because the plaintiff had failed to present any evidence (until appeal) of competitive injury. Lamothe v. Atlantic Recording Corp., 847 F.2d 1403

(continued...)

that have considered the issue have concluded that Section 43(a) is not limited to actions between competitors. See, e.g., Dovenmuehle v. Gilldorn Mortgage Midwest Corp., 871 F.2d 697, 700 (7th Cir. 1989); Berni v. International Gourmet Restaurants of America, Inc., 838 F.2d 642, 648 (2nd Cir. 1988); Cammel Hair and Cashmere Inst. v. Associated Dry Goods, 799 F.2d 6, 11 (1st Cir. 1986); Thorn v. Reliance Van Co., 736 F.2d 929, 933 (3d Cir. 1984); see also, Gold Seal Co. v. Weeks, 129 F. Supp. 928, 940 & n.34 (D. D.C. 1955), aff'd sub nom S.C. Johnson & Son Inc. v. Gold Seal Co., 230 F.2d 832 (D.C. Cir.) (per curiam), cert. denied, 352 U.S. 829 (1956).

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[1](...continued)
(9th Cir. 1988) also only held that actionable conduct must be "competitive." Indeed, the Court in Lamothe concluded that plaintiffs had standing to sue every defendant, even those with which plaintiff did not compete, since plaintiffs established a "legitimate interest in protecting their work." 847 F.2d at 1406.

Thus, the Ninth Circuit not only avoided reference to a prior contradictory decision within the Circuit, but it held, contrary to all relevant precedent, that the parties must be in competition in order to support a Section 43(a) claim. A Writ of Certiorari is necessary in order to decide the appropriate standing requirements in the Ninth Circuit and to conform those standing requirements to those enunciated in other Circuits.

II.

The Panel Incorrectly Held That the First Amendment Prohibits False Advertising and Unfair Competition Claims.

For the first time, the Ninth Circuit has construed Blatty v. New York Times Company, 42 Cal. 3d 1033, 728 P.2d 1177, 232 Cal. Rptr. 542 (1986), cert. denied, 485 U.S. 934 (1988) to bar, on First Amendment grounds, claims under state law

unfair competition statutes (specifically, sections 17200 and 17500 of the California Business and Professions Code).

It is inconceivable and unprecedented that the First Amendment restrictions enunciated by the Ninth Circuit apply in a context (such as unfair competition or false advertising) bearing no resemblance to defamation. The Ninth Circuit has now recognized a First Amendment privilege never before recognized by any court. The Opinion did so by misapplying Blatty. Blatty involved an action for trade libel, unfair competition, and other claims arising from alleged false statements by a major newspaper. 42 Cal. 3d at 1036. The Court held that the false statements could not reasonably be understood as referring to plaintiff, since the statements on their face concerned a group having "substantially more than twenty-five members." Id.

at 1046. Plaintiff therefore did not satisfy the First Amendment requirement that defamatory falsehoods be "of and concerning" plaintiff to be actionable. Id. The court further held that each of the plaintiff's causes of action must be dismissed because each "has as its gravamen the alleged injurious falsehood . . . and hence must satisfy First Amendment requirements." Id. at 1048.

In applying Blatty's holding that First Amendment requirements "apply to all claims whose gravamen is the alleged injurious falsehood of a statement," 42 Cal.3d at 1042 (emphasis added), the Ninth Circuit interpreted "injurious falsehood" to mean any falsehood containing injury. If so interpreted, however, Blatty is plainly wrong. The First Amendment has never been a bar to numerous common law and statutory causes of action for false representation even if the alleged falsehood is not "of

and concerning" plaintiff. Obvious examples include common law fraud, misrepresentations in violation of federal securities laws, and false advertising in violation of the Lanham Act. See, e.g., Schroeder v. Auto Driveway Co., 11 Cal. 3d 908, 917, 114 Cal. Rptr. 622 (1974) (common law fraud); Santa Fe Industries, Inc. v. Green, 430 U.S. 462, 467 (1977) (fraudulent appraisal in violation of Rule 10b-5); American Brands, Inc. v. R.J. Reynolds Tobacco Corp., 413 F. Supp. 1352, 1354 (S.D.N.Y 1976) (false advertising in violation of Section 43(a)). Such falsehoods have no special First Amendment protection. See Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council, Inc., 425 U.S. 748, 771 (1976).

For Blatty to be consistent with settled law, it must be interpreted as using "injurious falsehood" to mean a falsehood causing injury to reputation; i.e., a defamatory falsehood. This is correct because:

(1) Blatty's progenitor, Rosenblatt v. Baer, 383 U.S. 75 (1966), was a defamation action[2]; (2) Blatty introduces the phrase "injurious falsehood" in connection with describing the gravamen of a defamation action (42 Cal. 3d at 1042); (3) requiring that a falsehood be "of and concerning" a person is sensible when the falsehood allegedly injures that person's reputation, but pointless in all other contexts; (4) such an interpretation is consistent with Blatty's goal of preventing a plaintiff from circumventing First Amendment requirements by labeling a defamation claim as something else (42

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[2] Rosenblatt held that a government may not sue someone for making a statement that libels the government but is not on its face "of and concerning" the official, unless the official shows through "extrinsic proof that the statement referred to him." 383 U.S. at 81.

Cal. 3d at 1042); (5) no court has extended Blatty to privilege non-defamatory falsehoods.[3]

III.

The Ninth Circuit Opinion Incorrectly Ignored the Recent Amendment to the Lanham Act.

The Lanham Act was amended effective November, 1989 to provide, in pertinent part:

"(a) Any person who or in connection with any goods or services, or any

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[3] See Dong v. Board of Trustees, 191 Cal. App. 3d 1572, 1587, 236 Cal. Rptr. 912 (1987), cert. denied, 484 U.S. 1019 (1988); Basilius v. Honolulu Publishing Co., 711 F. Supp. 548, 552 (D. Haw.), aff'd mem, 888 F.2d 1394 (9th Cir 1989); Dworkin v. Hustler Magazine, Inc., 668 F. Supp. 1408, 1417 n.11 (C.D. Cal. 1987), aff'd, 867 F.2d 1188 (9th Cir.), cert. denied, 107 L. Ed 2d 26 (1989); Hudson v. Guy Gannett Broadcasting Co., 521 A.2d 714, 715 n.2 (Maine 1987); Saenz v. Morris, 106 N.M. 530, 746 P.2d 159, 162 (N.M. App. 1987).

container for goods, uses in commerce any word, term, name, . . . which –

. . .

(2) In commercial advertising or promotion, misrepresents the nature, characteristics, qualities or geographic origin of his or her or another person's goods, services or commercial activities, shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act." (Emphasis added.)

The Ninth Circuit did not discuss the applicability of this amendment to the specific issues raised in its decision, stating only: "This Act was amended effective November 1989. We need not decide, however, whether to apply the amended version of Section 43(a) to this appeal. The

amendment does not affect the District Court's or our analysis of this issue." See opinion at A-8, n.1.

However, the amendment clearly affects the very issue involved in this case; i.e., whether the misrepresentation of another person's goods gives rise to a Section 43(a) claim. The reason the amendment was not considered by the District Court is that it was not effective at the time the District Court granted summary judgment in March 1989. Despite several questions in oral argument concerning the applicability of the amendment to this case, the Ninth Circuit Opinion disregards it.

The applicability of the amendment presents a question of exceptional importance overlooked in the Opinion. If the amendment applies, then Alflex is entitled to proceed with its claim.

CONCLUSION

For the above-stated reasons, the Petition for Writ of Certiorari should be granted.

Respectfully submitted,

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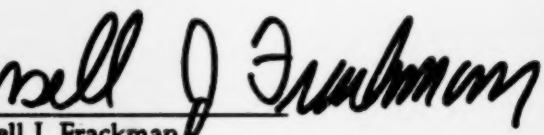
By: 
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APPENDIX

NOT FOR PUBLICATION

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

ALFLEX CORPORATION,	)	No. 89-55440
	)	
Plaintiff-Appellant,	)	D.C. No.
	)	CV 87-3344 JGD
vs.	)	
	)	
UNDERWRITERS LABORATORIES, INC.,	)	
	)	
Defendant-Appellee.	)	

Appeal from the United States District Court
for the Central District of California
John G. Davies, District Judge, Presiding

Argued and Submitted June 6, 1990
Pasadena, California

Before: BROWNING and PREGERSON, Circuit Judges, and MACBRIDE, District Judge*

* The Honorable Thomas J. MacBride, United States District Judge for the Eastern District of California, sitting by designation.

Alflex Corporation (Alflex) appeals summary judgment for Underwriters Laboratories (UL) on all of Alflex's claims. We affirm.

BACKGROUND

Alflex manufacturers flexible aluminum conduit, a building material designed to hold and protect electrical wiring. Because of its flexibility and durability, the product can be used in coils and quickly installed by pulling it through and around obstructions. Alflex's flexible aluminum conduit is UL-approved.

UL is a nonprofit testing and certification organization that assesses products for possible hazards to life and property. UL lists certified products in directories which are consulted and

relied upon by consumers and by state and municipal electrical inspectors.

In its assessment and testing procedures, UL customarily refers to the National Electrical Code (NEC) to design performance standards for the products submitted to it. The NEC is sponsored as a model code by the National Fire Protection Association (NFPA) and has been widely adopted by states and municipalities.

The controversy in this case concerns UL's testing and certification of a flexible plastic conduit manufactured by Carlon, an Alflex competitor. Carlon's product is capable of being used like the Alflex product in some applications. Although the plastic product can be used like the aluminum product, UL certified the plastic material without requiring it to meet the same performance standards

as the aluminum conduit. In UL's judgment, this was not necessary, because the two products would not be listed under the same section of the NEC nor approved entirely for the same uses. UL argues that it properly certified the flexible plastic conduit in accordance with an article of the NEC covering pliable plastic conduit, rather than flexible metal conduit. UL contends that it has met its obligations to Alflex and has acted within its rights to determine which products merit certification.

Alflex asserts, however, that UL's listing of Carlon's product and the application of the UL label to Carlon's product constitute a false representation and description. Alflex contends that the UL listing has an established meaning that the product is covered by the NEC, that established standards for comparable products have been applied, and that under those established standards, the product is

safe. Alflex contends that Carlon's product was not covered by the NEC and that it was not required to meet the same safety requirements as Alflex's flexible aluminum conduit. Thus, Alflex asserts that UL's listing of Carlon's product is a false representation that results in a competitive injury to Alflex.

The district court granted summary judgment for UL on all of Alflex's claims, consisting of: 1) violation of 15 U.S.C. § 1125(a) (false representation under the Lanham Act); 2) breach of contract under California law; 3) breach of the covenant of good faith and fair dealing under California law; 4) negligence under California law; 5) unfair competition under Cal. Bus. & Prof. Code § 17200; 6) false advertising under Cal. Bus. & Prof. Code § 17500; 7) failure of UL to control its mark, giving Alflex a right to have the mark canceled under 15

U.S.C. § 1064(e)(1) (Lanham Act, § 14). Alflex appeals.

STANDARD OF REVIEW

A grant of summary judgment is reviewed de novo. Kruso v. International Telephone & Telegraph Corp., 872 F.2d 1416, 1421 (9th Cir. 1989), cert. denied, 58 U.S.L.W. 3801 (1990); State Farm Fire and Casualty Co. v. Martin, 872 F.2d 319, 320 (9th Cir. 1989). Our review is governed by the same standard used by the trial court under Fed. R. Civ. P. 56(c). Darring v. Kincheloe, 783 F.2d 874, 876 (9th Cir. 1986). We must determine, viewing the evidence in the light most favorable to the nonmoving party, whether there are any genuine issues of material fact and whether the district court correctly applied the relevant substantive law. Tzung v. State Farm Fire and

Casualty Co., 873 F.2d 1338, 1339-40 (9th Cir. 1989); Judie v. Hamilton, 872 F.2d 919, 920 (9th Cir. 1989).

DISCUSSION

I. Violation of Section 43(a) of the Lanham Act

As stated above, Alflex argues that UL's listing of Carlon's product created a false representation that Carlon's product is covered by the NEC and that it met the same performance requirements as Alflex's product. Alflex asserts that this listing constitutes actionable "false representation" under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).[1]

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[1] At the time Alflex brought the suit, 15 U.S.C. § 1125(a) (1982) provided in pertinent part:

> Any person who shall affix, apply, or annex, or use in connection with any goods or services, . . . any false description or representation, including words or other symbols tending falsely

(continued...)

The District Court granted UL's motion for summary judgment. It found that since "UL is not a competitor [of Alflex] and does not engage in activities designed to give it an unfair advantage vis-a-vis a competitor, Section 43(a) does not reach UL's listing of the Carlon product."

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[1](...continued)

> to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such . . . description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person . . . who believes that he is or is likely to be damaged by the use of any such false description or representation.

This Act was amended effective November 1989. We need not decide, however, whether to apply the amended version of section 43(a) to this appeal. The amendment does not affect the district court's or our analysis of this issue.

We agree with the district court. In Halicki v. United Artists Communications, Inc., 812 F.2d 1213 (9th Cir. 1987), we recently limited the scope of actionable conduct under the Lanham Act. There, the plaintiff, a movie producer, contended that the defendants, several movie theater owners, wrongly attached an "R" rating to plaintiff's "PG" movie, thereby adversely affecting plaintiff's profits. We affirmed summary judgment against the plaintiff stating: "The statute is directed against unfair competition. To be actionable, conduct must not only be unfair but must in some discernable way be competitive." Id. at 1214. See also Lamothe v. Atlantic Recording Corp., 847 F.2d 1403 (9th Cir. 1988) (quoting Halicki for the proposition that actionable conduct must be competitive).

Here UL's conduct is not competitive. UL is a non-profit organization set up to promulgate safety

requirements for thousands of electrical products. UL is not in competition with Alflex. Under Halicki, UL's conduct in listing Carlon's product was not competitive and, therefore, not actionable under the Lanham Act. Thus, summary judgment was proper on the Lanham Act claim.

II. Breach of Implied-in-Fact Contract Term

Alflex argues that its Listing Agreement with UL has an implied term obliging UL to list and certify only products meeting appropriate requirements. Alflex contends that the Agreement's references to "listing requirements" imply that the requirements for the evaluated product are the same as the requirements for other products used in the same manner. Alflex believes that UL breached the implied term of its agreement by listing Carlon's product, which is used for some of the same

purposes as Alflex's product, but was not required to meet the same safety standards. Alflex contends that it was denied the opportunity to present extrinsic evidence of applicable industry custom and practice to demonstrate what the parties intended with respect to listing requirements. It therefore insists that summary judgment was improper, because the intent of the parties concerning one of the contract's key terms is a genuine issue of material fact. We disagree.

The district court correctly found the Listing Agreement was "not reasonably susceptible to the additional terms proposed by Alflex."

Alflex relies on Midwest Television, Inc. v. Scott, Lancaster, Mills & Atha, Inc., 205 Cal. App. 3d 442, 252 Cal. Rptr. 573, 579 (1988). In Midwest the court stated that industry custom and practice

evidence is admissible to supply a missing term or aid in interpreting ambiguous contract terms, but may not "alter or vary the terms of the contract." 205 Cal. App. at 451, 252 Cal. Rptr. at 579. Here, however, Alflex does not contend that the terms of the listing agreement are ambiguous in any respect, rather, it seeks to imply a new term controlling UL's listing of other manufacturer's products.

The Listing Agreement between Alflex and UL outlines each party's rights and obligations with respect to UL listing Alflex's products. The contract's references to listing requirements do not suggest in any way that UL's obligations to Alflex are conditioned by its relationship with third parties. As stated above, Alflex is seeking to use custom and practice evidence to imply a term that would control UL's listing of other manufacturer's products. We agree with the district court that "[i]mplied in fact

contract terms cannot be used to so radically alter and expand the underlying agreement." Summary judgment was appropriate on Alflex's claim of breach of implied contractual term.

III. Breach of Implied-in-Law Covenant of Good Faith and Fair Dealing

Alflex asserts that UL breached an implied covenant of good faith and fair dealing in the listing agreement between Alflex and UL by denying Alflex the benefits it reasonably expected from the agreement. Alflex expected that, by obtaining UL certification, that it would gain access to a market restricted to competitors with products that comply with UL's standards for flexible metal conduit. Alflex contends that UL's certification of Carlon's product constitutes breach of the covenant because it forces Alflex to compete against a UL-certified

manufacturer that has not met the standard for flexible metal conduit.

"Every contract imposes upon each party a duty of good faith and fair dealing in its performance and its enforcement." (Rest. 2d Contracts, § 205). The obligation imposed is that neither party "do anything to injure the right of [the other party] to receive the benefits of the agreement." Ohashi v. Verit Industries, 536 F. 2d 849, 853 (9th Cir.), cert. denied, 429 U.S. 1004 (1976). However, this implied covenant may not be used to vary or modify the express terms of an unambiguous contract, Ford v. Manufacturer's Hanover Mortgage Corp., 831 F. 2d 1520, 1524 (9th Cir. 1987), but rather "is read into contracts in order to protect the express covenants or promises of the contract." (emphasis added). Foley v. Interactive Data Corp., 47 Cal. 3d

654, 690, 765 P. 2d 373, 394; 254 Cal. Rptr. 211, 232 (1988).

The district court correctly held that the Listing Agreement was unambiguous in its purpose to set forth the terms and conditions governing the Listing of Alflex's products. There is no provision in the contract that addresses any product other than the product submitted by Alflex and there is no term allowing Alflex to question or challenge the Listing of any third party's products. Thus, Alflex was not attempting to use the covenant to protect the express terms of the contract but rather to imply new terms to control UL's Listing of other manufacturer's products. Because the implied covenant is not relevant here, summary judgment was proper.

IV. Negligence Claim

Alflex argues that UL breached a duty of care owed to Alflex by improperly certifying flexible plastic conduit and proximately causing damage to Alflex in the form of unfair competition and lost sales.

For support Alflex relies on J'aire Corp. v. Gregory, 24 Cal. 3d 799, 598 P. 2d 60, 157 Cal. Rptr. 407 (1979). Alflex believes that the application of the six factor analysis set forth in J'aire establishes a duty of care for UL to protect Alflex from competition arising from UL's alleged failure to exercise due care in Listing Carlon's product. The six factors are: 1) the extent to which the transaction was intended to affect the plaintiff; 2) the foreseeability of harm to the plaintiff; 3) the degree of certainty that the plaintiff suffered injury; 4) the closeness of the

connection between the defendant's conduct and the injury suffered, 5) the moral blame attached to defendant's conduct; and 6) the policy of preventing future harm. J'aire, 24 Cal. 3d at 804, 598 P. 2d at 63, 157 Cal. Rptr. at 410.

Although it may have been foreseeable that listing Carlon's product might increase competition in the conduit market, our analysis of all these factors compels us to conclude that the district court properly granted summary judgment for UL on this claim. First, Alflex showed no evidence that UL intended to affect Alflex by listing flexible plastic conduit. UL's purpose is to provide products with safety certification, not to regulate competition between manufacturers of electrical conduits. Additionally, while Alflex alleged $100,000,000 in damages, it has shown no evidence of its purported lost market share or lost profits, thus it is clearly not

"certain" that Alflex has suffered injury. Furthermore, Alflex has presented no convincing evidence that UL's conduct was morally blameworthy or that creating such a duty would prevent future harm. In fact, the district court perceptively noted that creating a duty could potentially cause future harm:

> To impose a duty on UL would mean that every time that UL listed a new product, it would be subject to suit. This would impair the ability of UL to test new products and changing technology in an impartial manner, unbiased by the fear of lawsuits by disgruntled competitors.

Therefore, summary judgment was properly granted.

V. False Advertising and Unfair Competition

Alflex contends that UL engaged in unfair business practices under section 17200 and false advertising under section 17500 of the California Business and Professional Code.[2] Alflex contends

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[2] Cal. Bus. & Prof. Code § 17200 states:

> As used in this chapter, unfair competition shall mean and include unlawful, unfair or fraudulent business practice and unfair, deceptive, untrue or misleading advertising and any act prohibited by Chapter 1 (commencing with Section 17500) of Part 3 of Division 7 of the Business and Professions Code.

Section 17500 reads:

> It is unlawful for any person, firm, corporation, association, or any employee thereof with intent directly or indirectly to dispose of real or personal property or to perform services, professional or otherwise, or anything of any nature whatsoever or to induce the public to enter into any obligation relating thereto, to make or disseminate or cause to be made or disseminated before the public in this state, or to make or disseminate

(continued...)

that UL was unfair in its business practice by applying less stringent standards for certification of flexible plastic conduit, creating undue competitive hardship for Alflex. Further, Alflex contends, UL's certification, when attached to Carlon's product,

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[2](...continued)

> or cause to be made or disseminated from this state before the public in any state, in any newspaper or other publication, or any advertising device, or by public outcry or proclamation, or in any other manner or means whatever, any statement concerning such real or personal property or services, professional or otherwise, or concerning any circumstance or matter of fact connected with the proposed performance or disposition thereof, which is untrue or misleading, and which is known, or which by the exercise of reasonable care should be known, to be untrue or misleading, or for any such person, firm, or corporation to so make or disseminate or cause to be so made or disseminated any such statement as part of a plan or scheme with the intent not to sell such personal property or services, professional or otherwise, so advertised at the price stated therein, or as so advertised. Any violation of the provisions of this section is a misdemeanor punishable by imprisonment in the county jail not exceeding six months, or by a fine not exceeding two thousand five hundred dollars ($2,500), or by both.

created a false or misleading impression among consumers.

The district court properly held that under Blatty v. New York Times Company, 42 Cal. 3d 1033, 728 P. 2d 1177, 232 Cal. Rptr. 542 (1986), cert. denied, 485 U.S. 934 (1988), Alflex's claims under sections 17200 and 17500 should be dismissed.

In Blatty, the California Supreme Court held that where "the alleged injurious falsehood of a statement is the gravamen of the plaintiff's claim . . . the statement . . . must be 'of and concerning' the plaintiff in some way." Id. at 547. Based on this holding the Court affirmed the dismissal of Blatty's claims under Cal. Bus. & Prof. Code §§ 17200 and 17500. Id. at 552.

We find Blatty controlling in this case because the holding was based on the California Supreme Court's interpretation of article I, section 2, of the California Constitution.[3]

Here, Alflex does not dispute that the gravamen of its unfair competition and unfair business practice claims is the alleged injurious falsehood implied in the UL Listing of Carlon's product. And, we agree with the district court that UL's "speech is not 'of and concerning' alflex." Thus, we hold that the district court's grant of summary judgment on these claims was appropriate.

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[3] In Blatty the court stated that "Throughout this opinion we have used 'First Amendment' to refer not only to that provision of the United States Constitution, but also to article I, section 3 of the California Constitution. It is the latter on which we primarily rely." 42 Cal. 3d at 1049, n. 4, 232 Cal. Rptr. at 552, n. 4, 728 P. 2d at 1187, n. 4.

VI. Cancellation of Mark Under § 14(e) of the Lanham Act

Alflex seeks to cancel registration of UL's certification mark under 15 U.S.C. § 1064(e)(1) (1982)[4] on the grounds that UL has failed to control the mark. However, we agree with the district court that

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[4] The relevant portion of the section reads:

> A verified petition to cancel a registration of mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed by any person who believes that he is or will be damaged by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or the Act of February 20, 1905 –
>
> * * * *
>
> e) at any time in the case of a certification mark on the ground that the registrant . . . does not control, or is not able legitimately to exercise control over, the use of such mark . . . ."
>
> This section was amended in 1988, but the amendment does not affect the present case.

Alflex produced insufficient evidence of UL's failure to control its mark to warrant cancellation.

AFFIRMED.

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

ALFLEX CORPORATION, Plaintiff-Appellant, vs. UNDERWRITERS LABORATORIES, INC., Defendant-Appellee.	)	No. 89-55440 O R D E R

Before: BROWNING, PREGERSON, Circuit Judges, and MACBRIDE, District Judge*

The panel as constituted above voted to deny the petition for rehearing and to reject the suggestion for rehearing en banc.

The full court has been advised of the suggestion for rehearing en banc, and no judge of

the court has requested a vote on the suggestion for rehearing en banc. Fed. R. App. P. 35(b).

The petition for rehearing is denied, and the suggestion for rehearing en banc is rejected.

* The Honorable Thomas J. MacBride, United States District Judge for the Eastern District of California, sitting by designation.

15 U.S.C. § 1125

§ 1125 False designations of origin and false descriptions forbidden

(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely

indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

(b) Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have any recourse by protest or appeal that is given under the customs revenue laws or may have the remedy given by this chapter in cases involving goods refused entry or seized.

(July 5, 1946, c. 540, Title VIII, § 43, 60 Stat. 441.)

15 U.S.C. § 1125 (As Amended November 16, 1988)

§ 1125 False designations of origin and false descriptions forbidden

(a) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which –

(1) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her

goods, services, or commercial activities by another person, or

(2) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(As amended Nov. 16, 1988, Pub.L. 100-667, Title I, § 132, 102 Stat. 3946.)

Supreme Court, U.S.
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(2)

No. 90-1781

IN THE

Supreme Court of the United States

OCTOBER TERM, 1990

ALFLEX CORPORATION,

Petitioner,

v.

UNDERWRITERS LABORATORIES INC.,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Petitioner misconstrues the holding of the court below and consequently has misstated the questions presented, which are:

1. Whether Section 43(a) of the Lanham Act should be extended to cover conduct which is not competitive, and, more particularly, which is noncommercial speech by a not-for-profit institution regarding its evaluation of a product which neither it nor the petitioner causes, procures or delivers for entry into commerce.

2. Whether the Ninth Circuit's interpretation of *Blatty v. New York Times Co.*, 42 Cal. 3d 1033, 728 P.2d 1177, 232 Cal. Rptr. 542 (1986), *cert. denied*, 485 U.S. 934 (1988), under the California constitution is unreasonable or clearly erroneous.

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No. 90-1781

IN THE

Supreme Court of the United States

OCTOBER TERM, 1990

ALFLEX CORPORATION,

Petitioner,

v.

UNDERWRITERS LABORATORIES INC.,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

Respondent Underwriters Laboratories Inc. ("UL")[1] respectfully requests that this Court deny the Petition for Writ of Certiorari ("Petition") seeking review of the decision of the Ninth Circuit Court of Appeals ("Opinion").[2]

[1] Respondent Underwriters Laboratories Inc. has no parent companies, subsidiaries or affiliates.

[2] The Opinion is reprinted in the Appendix to the Petition for Certiorari ("A- "). The opinion of the district court is reprinted in the Appendix to this brief.

STATEMENT OF THE CASE

Petitioner, Alflex Corporation ("Alflex"), is a manufacturer of metal electrical conduit, a building material designed to hold and protect electrical wiring. "UL is a non-profit testing and certification organization that assesses products for possible hazards to life and property." Opinion at A-2.

Manufacturers seeking a UL certification submit product samples for testing and evaluation by UL safety engineers. SER 19, 39-¶ 4.[3] Products found to comply with UL safety standards and requirements may be "Listed" by UL pursuant to a "Listing and Follow-Up Service Agreement" wherein the manufacturer agrees that it will use the UL certification mark only on products that meet UL requirements and will allow UL inspectors to conduct periodic factory follow-up testing to determine continued compliance with them. Listed products are included in product directories published by UL. SER 3-¶ 14, 20-21, 39-¶ 4, 40-¶ 6; ER 3, 5-6 ¶¶ 5, 8-9.

In January 1969, UL Listed Alflex's flexible aluminum conduit, and Alflex proceeded to distribute and sell that product bearing UL's certification mark. SER 1-4, 43-¶ 13; CR 134 at 212. In the mid-1970's, the Carlon Company ("Carlon") began to manufacture a competitive plastic product known as "electrical non-metallic tubing" ("ENT"). After extensive testing and evaluation over a three-year period, UL Listed Carlon's ENT for use in certain limited applications. UL's product directories Listed ENT and

[3] In this brief, references to the record below are abbreviated as follows: Court Record—"CR"; Appellant's Excerpts of Record—"ER"; Appellee's Supplemental Excerpts of Record—"SER".

flexible metal conduit in separate sections and under separate headings identifying the differing product usage restrictions. Opinion at A-4; SER 9, 23-24, 31-32, 53-54, 57; CR 91 at 478; CR 87 at 273. Despite these limitations on the use of ENT, Alflex, in coordination with other metal conduit manufacturers, lodged vigorous protests against the Listing of ENT. Alflex viewed the product as "extremely price competitive and installed very easily" and was concerned that, in certain applications, it would "displace flexible metal conduit."[4] SER 14; CR 134 at 47; CR 87 at 305.

Alflex brought this action seeking damages and an injunction against UL's continued Listing of Carlon's ENT. Alflex did not complain that Carlon's product was unsafe, but asserted, among other claims, that UL applied differing test requirements to ENT and to Alflex's metal product. Alflex charged that UL's published Listing for ENT therefore constituted a "false representation" in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and California law. The United States District Court for the Central District of California granted summary judgment for UL on all claims. *Alflex Corp. v. Underwriters Laboratories Inc.*, 1989 U.S. Dist. LEXIS 6935 (C.D. Cal.). The United States Court of Appeals for the Ninth Circuit affirmed, holding that UL's conduct was not actionable as unfair competition or false advertising under either the Lanham Act or the California Business and Professional Code.

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[4] Alflex and other metal conduit manufacturers had previously voted to defeat the adoption of an article of the National Electrical Code approving use of ENT in certain locations. Those events are described in *Indian Head, Inc. v. Allied Tube & Conduit Corp.*, 817 F.2d 938 (2d Cir. 1987), *aff'd*, 486 U.S. 492 (1988).

REASONS FOR DENYING THE WRIT

Alflex fails to present the Court with an issue which merits review because: (i) Alflex has mischaracterized the Ninth Circuit's opinion to suggest a conflict regarding interpretation of the Lanham Act within the Ninth Circuit and with other circuits where there is no conflict; (ii) the 1988 amendments to the Lanham Act do not affect the result in this case; (iii) summary judgment on the Lanham Act claim was appropriate for other reasons; and (iv) there is no First Amendment issue raised by the opinion below.

I.

There Is No Conflict in the Interpretation of the Lanham Act Within the Ninth Circuit or With Other Circuits

Alflex mischaracterizes the Ninth Circuit's interpretation of the Lanham Act to suggest a conflict within the Ninth Circuit and with other circuits. Thus, Alflex poses the question presented as if the court below "limited the [Lanham Act] to actions between competitors." Petition, p. i. The Ninth Circuit did not so narrowly read the act. Rather, the court stated that: "To be actionable, conduct must not only be unfair but must in some discernable way be competitive." Opinion at A-9 (quoting *Halicki v. United Artists Communications, Inc.*, 812 F.2d 1213, 1214 (9th Cir. 1987)). Alflex did not contend that UL engaged in any competitive conduct *vis à vis* Alflex, and the Ninth Circuit concluded:

> UL's conduct is not competitive. UL is a non-profit organization set up to promulgate safety requirements for thousands of electrical prod-

> ucts. UL is not in competition with Alflex. Under *Halicki*, UL's conduct in Listing Carlon's product was not competitive and, therefore, not actionable under the Lanham Act.

Opinion at A-9-10. Thus, the Ninth Circuit's emphasis is not solely on the status of the parties, but on the nature of defendant's conduct in relation to the plaintiff.

Contrary to Alflex's contention, *Smith v. Montoro*, 648 F.2d 602 (9th Cir. 1981), is not in conflict with the decision below. *Smith* involved a case of "express reverse passing off." Defendants had removed plaintiff's name and replaced it with another actor's name in motion picture film credits and advertising. The court held that, although plaintiff was not in "actual competition" with defendants, plaintiff had standing because he was "in the business of providing his talents for use in the creation of an entertainment product" and was, therefore, "uniquely situated to complain of injury resulting from a film distributor's misidentification of appellant's contribution to the product." *Smith*, 648 F.2d at 607-08. Clearly, no similar interest exists here, where Alflex challenges statements that refer neither to it nor to its goods or services.

In *Halicki v. United Artists Communications, Inc.*, 812 F.2d 1213 (9th Cir. 1987), the plaintiff did not allege passing off or reverse passing off, and the Ninth Circuit rejected plaintiff's reading of *Smith* to cover allegedly false advertising by a noncompetitor. Finding no allegation of conduct that was "in some discernable way . . . competitive," the court affirmed summary judgment for defendants. *Halicki*, 812 F.2d at 1214.

The Ninth Circuit relied upon both *Smith* and *Halicki* in *Lamothe v. Atlantic Recording Corp.*, 847 F.2d 1403, 1405-06 (9th Cir. 1988), finding no conflict, but complementary interpretations of the Lanham Act. In *Lamothe*, the

court reversed summary judgment for defendants in a reverse passing off case where one of the defendants was a competitor of plaintiffs. 847 F.2d at 1406, 1408. The panel below, which included the author of the *Smith* decision, Judge Pregerson, relied upon both *Halicki* and *Lamothe* in ruling for UL. Thus, there is no conflict of decisions within the Ninth Circuit.[5] Opinion at A-9.

The decision below is also consistent with decisions in other circuits. In both *Dovenmuehle v. Gilldorn Mortgage Midwest Corp.*, 871 F.2d 697 (7th Cir. 1989) and *Berni v. International Gourmet Restaurants of America, Inc.*, 838 F.2d 642 (2d Cir. 1988), plaintiffs were family members, with no present commercial interest in the family name, alleging passing off and consumer confusion over use of the family name and trademark purchased by defendants. While recognizing that a plaintiff need not be in "direct competition" to have standing, these courts affirmed dismissal of the claims, holding that plaintiffs had retained no interest in the trade name, nor had they engaged in competition under the family name. *Dovenmuehle*, 871 F.2d at 700-01; *Berni*, 838 F.2d at 648.

Similarly, in the false advertising cases upon which petitioner relies, plaintiffs each complained of an interest threatened by conduct that was "in some discernable way . . . competitive," consistent with the requirement set forth in *Halicki* and in the opinion below. *See Camel Hair & Cashmere Inst., Inc. v. Associated Dry Goods Corp.*, 799 F.2d 6, 14 (1st Cir. 1986) (trade association of camel hair and cashmere garment makers had standing to sue seller of coats mislabelled as seventy per cent cashmere

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[5] In any event, conflicting decisions by different panels of the same circuit is not a basis for granting certiorari. *Davis v. United States*, 417 U.S. 333, 340 (1974).

because defendant was "wrongfully trading on the established quality of another's product"); *Thorn v. Reliance Van Co.*, 736 F.2d 929, 932-33 (3d Cir. 1984) (investor in a bankrupt company damaged by the false advertising of a competitor accorded standing where the bankruptcy trustee refused to bring the action on behalf of the company); *Gold Seal Co. v. Weeks*, 129 F. Supp. 928, 940 n.34 (D.D.C. 1955), *aff'd sub nom., S.C. Johnson & Sons, Inc. v. Gold Seal Co.*, 230 F.2d 832 (D.C. Cir.) (per curiam), *cert. denied*, 352 U.S. 829 (1956) (defendant falsely advertised its own product; companies were "fierce competitors generally"), *cited in* Petition, p. 7.

II.

The 1988 Amendments to the Lanham Act Do Not Affect the Result of this Case

Alflex argues that its petition should be granted because the court below "ignored" amendments to the Lanham Act that became effective in November 1989, two and one-half years after Alflex filed its complaint and months after that complaint was dismissed by the district court. Petition, p. 13. Alflex contends that if the amendments to the Act apply, "then Alflex is entitled to proceed with its claim." Petition, p. 15. This statement completely vitiates Alflex's first Lanham Act argument and presumes that, without the amendments, Alflex is not entitled to proceed with its claim.

Alflex suggests that the amendments to the Act may have been intended by Congress to apply retroactively. Alflex, however, does not take a position as to Congress' intent, nor does it cite authority on the issue, leaving the Court to guess at what point Alflex is trying to make and why it constitutes a reason for this Court to grant

certiorari. Nor does Alflex explain how the amendments may be read to overturn the decision below or other prior case law or how they might create a new cause of action under the circumstances in this case. Furthermore, Alflex did not raise this issue in the court below and is precluded from asserting it for the first time at this stage. *Delta Airlines Inc. v. August*, 450 U.S. 346, 362 (1981).

The question of retroactive application is answered by this Court's decision in *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988), wherein the Court struck down a retroactive rulemaking, stating "[r]etroactivity is not favored in the law." *See* discussion of this issue as applied to the recent Lanham Act amendments in *Alpo Petfoods v. Ralston Purina Co.*, 913 F.2d 958, 963-64 n.6 (D.C. Cir. 1990).

Even if the amendments were retroactively applied, they would not affect the result in this case. As the court below stated, "[t]he amendment does not affect the District Court's or our analysis of this issue." Opinion at A-8, n.1. Congress intended the Section 43(a) amendments generally to codify pre-1988 case law. *Alpo Petfoods*, 913 F.2d at 964 n.6. The one substantive clarification that the amendments addressed, "that misrepresentations about another's products are as actionable as misrepresentations about one's own" in commercial advertising or promotion, does not affect this case, because the modification merely confirms that Section 43(a) "extend[s] to misrepresentations about competitor's products or services."[6] S. REP.

[6] The UL Listing in issue is neither a representation about a "competitor's products or services" nor is it "commercial advertising or promotion." Indeed, independent product evaluations constitute protected First Amendment speech. *Bose Corp. v. Consumer Union of the United States, Inc.*, 466 U.S. 485, 499-514

(Footnote continued on following page)

No. 515, 100th Cong., 2d Sess. 40, *reprinted in* 1988 U.S. CODE CONG. & ADMIN. NEWS 5577, 5603; *see also Alpo Petfoods*, 913 F.2d at 964 n.6. Moreover, the Senate Committee on the Judiciary expressly stated its intent that standing under Section 43(a) "should continue to be decided on a case-by-case basis." S. REP. NO. 515 at 41, 1988 U.S. CODE CONG. & ADMIN. NEWS at 5604.

III.

Summary Judgment on the Lanham Act Claim Was Appropriate for Other Reasons

Because of its ruling that Alflex had shown no competitive conduct, the Ninth Circuit did not reach UL's additional grounds supporting affirmance of summary judgment. However, summary judgment was also appropriate for the following reasons:

First, UL was not engaged in commercial advertising. The Lanham Act prohibits two different types of conduct, passing off and false advertising. *Lamothe*, 847 F.2d at 1406. Alflex does not accuse UL of passing off, and UL's Listing of Carlon's ENT is not commercial advertising. *Alfred Dunhill Ltd. v. Interstate Cigar Co.*, 499 F.2d 232, 237 (2d Cir. 1974) (Section 43(a) is "limited to false advertising as that term is generally understood"). UL's Listing of Carlon's ENT is nothing more than a statement by UL that a product complies with the UL safety standards. SER 20; CR 134 at 100. UL Listings are published in

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[6] *continued*
(1984). The drafters of the 1988 amendments to the Lanham Act limited the reach of Section 43(a) to misrepresentations in "advertising and promotion" in order to ensure that representations made by independent product testing services like UL and Consumer Reports were not actionable. J. Gilson, *Trademark Protection and Practice* § 7.02[6] n.52 (1990).

its directories which do not contain any promotional or advertising material. SER 20-32.

Second, UL did not "cause" or "procure" ENT to enter commerce as required by the Act. 15 U.S.C. § 1125(a) at A-27; *see also Monoflo Int'l, Inc. v. Sahmn*, 726 F. Supp. 121, 125-26 (E.D. Va. 1989) (Section 43(a) claim deemed "fatally deficient" because defendant did not "cause [subject] goods or services to enter into commerce"). A manufacturer's decision to introduce its products into commerce is entirely its own. *See Obolensky v. G.P. Putnam's Sons*, 628 F. Supp. 1552, 1556 (S.D.N.Y.), *aff'd without opinion*, 795 F.2d 1005 (2d Cir. 1986).

Finally, UL's Listing of Carlon's ENT is noncommercial speech that is protected by the First Amendment. UL is a not-for-profit corporation which has no economic interest in its Listees. It publishes its Listings, not to sell another's products, but to express its views concerning compliance of such products with its safety standards. SER 20-32, 39 at ¶¶ 2, 4; SER 40 at ¶ 6; CR 134 at 100. UL Listings do not comport with this Court's identification of the characteristics of commercial speech, which does "no more than propose a commercial transaction." *Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60, 66 (1983); *see also Board of Trustees of the State Univ. of New York v. Fox*, 492 U.S. 469 (1989). Such product evaluations by independent parties have been treated by this Court as fully protected noncommercial speech. *Bose Corp. v. Consumers Union of United States, Inc.*, 466 U.S. 485, 499-514 (1984); *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of New York*, 447 U.S. 557, 562 (1980).

Thus, there are several independent grounds for summary judgment on Alflex's Lanham Act claim in addition to those stated by the court below.

IV.

The Ninth Circuit Did Not Improperly Apply First Amendment Principles

Alflex also contends that the court below "misappl[ied] *Blatty*" in dismissing plaintiff's state law claims. Petition, p. 9. In *Blatty v. New York Times Co.*, 42 Cal. 3d 1033, 1042, 728 P.2d 1177, 1182, 232 Cal. Rptr. 542, 547 (1986), *cert. denied*, 485 U.S. 934 (1988), the California Supreme Court held that where "the alleged injurious falsehood of a statement is the gravamen of the plaintiff's claim . . . the statement . . . must be 'of and concerning' the plaintiff in some way." Here, "Alflex does not dispute that the gravamen of its unfair competition and unfair business claims is the alleged injurious falsehood implied in the UL Listing of Carlon's product." Opinion at A-22. Because UL's alleged "falsehood" is not "of and concerning" Alflex, the court of appeals correctly applied *Blatty* in affirming the district court's grant of summary judgment on Alflex's state law claims. Opinion at A-22.

The court of appeals found *Blatty* controlling not because it was founded on First Amendment principles, but "because the holding was based on the California Supreme Court's interpretation of article I, section 2, of the California Constitution." Opinion at A-22.[7] This purported "misapplication" of state law by a federal court of appeals does not merit review by this Court. *See, e.g., Brockett v. Spokane Arcades, Inc.*, 472 U.S. 491, 499-501 (1985)

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[7] Even if the Court were to conclude that the Ninth Circuit's application rests in part on First Amendment principles, review would be inappropriate because the decision also rests on adequate and independent state grounds. *Wilson v. Loew's Inc.*, 355 U.S. 597 (1958) (dismissing writ of certiorari as improvidently granted because the judgment rested on an adequate state ground). *See also Herb v. Pitcairn*, 324 U.S. 117, 125-26 (1945).

(The Court normally defers to the interpretation of state law given by the lower federal courts because "district courts and courts of appeals are better schooled in and more able to interpret the laws of their respective states"); *Haring v. Prosise*, 462 U.S. 306, 314 n.8 (1983) ("It is our practice to accept a reasonable construction of state law by the court of appeals 'even if an examination of the state-law issue without such guidance might have justified a different conclusion.' . . . [A] challenge to state-law determinations by the court of appeals will rarely constitute an appropriate subject of this Court's review." (quoting *Bishop v. Wood*, 426 U.S. 341, 346 (1976))).[8]

Because the Ninth Circuit interpretation of *Blatty* under the California constitution is neither unreasonable nor clearly erroneous, Alflex has failed to present the Court with a reviewable question of state law.

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[8] The Court has stated that it will defer to lower courts on state-law issues unless there is "plain" error, *Palmer v. Hoffman*, 318 U.S. 109, 118 (1943); the view of the lower court is "clearly wrong," *The Tungus v. Skovgaard*, 358 U.S. 588, 596 (1959); or the construction is "clearly erroneous," *United States v. Dunham Lumber Co.*, 363 U.S. 522, 527 (1960), or "unreasonable," *Propper v. Clark*, 337 U.S. 472, 486-87 (1949).

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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Dated: June 18, 1991

APPENDIX

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

ALFLEX CORPORATION, a California corporation Plaintiff, v. UNDERWRITERS LABORATORIES INC., a Delaware corporation Defendant.	CASE NO. CV 87-3344 JGD ORDER GRANTING DEFENDANT'S MOTION FOR SUMMARY JUDGMENT

The Court, having considered the papers filed in support of and against defendant's motion for summary judgment, and the oral argument heard on February 27, 1989, hereby GRANTS defendant's motion in its entirety.

BACKGROUND

Defendant Underwriters Laboratories Inc., (hereinafter "UL"), is a not-for-profit corporation engaged in the operation of laboratories for the investigation and testing of products. One of the services that UL provides is a Listing Service. Under the Listing Service manufacturers submit product samples for testing and evaluation by UL safety engineers. After examination and testing, UL issues a report of its investigation setting forth test results and stating whether the product is judged to be in compliance with applicable requirements. A product which does comply is eligible to be Listed pursuant to a "Listing and Follow-up Service Agreement." The manufacturer

of a product Listed by UL is also authorized to affix the Listing Mark to products which comply with UL requirements for that product.

Plaintiff Alflex Corporation is a California corporation engaged in the manufacture and sale of steel and aluminum construction materials. Among other products, Alflex manufactures electrical conduits, including flexible aluminum conduit and flexible steel conduit. Electrical conduit is a type of raceway. There are a variety of raceway systems manufactured from various materials including steel, aluminum and polyvinyl chloride. UL currently has ten separate standards for various types of conduit products.

In 1968, Alflex submitted its flexible aluminum conduit to UL for a product Listing. Prior to Alflex's submission, UL had no Listings for flexible aluminum conduit. Consistent with normal procedure, UL developed tests unique to the characteristics of aluminum and applied selected tests from UL-1, the standard for flexible steel conduit. UL Listed Alflex's flexible aluminum conduit in February 1969. UL and Alflex also entered into a Listing and Follow-Up Service Agreement which set forth the terms and conditions governing Alflex's use of the Listing Mark.

In the mid-1970's, the Carlon Company developed an electrical conduit product manufactured from polyvinyl chloride material which became known as electrical nonmetallic tubing ("ENT"). Carlon submitted the product to UL for testing and for issuance of a Fact-Finding Report. Fact-Finding Reports issued by UL contain product information and test data. Carlon then presented the Fact-Finding Report to Code Making Panel 8 of the National Fire Protection Association ("NFPA") in connection with its proposal to add Article 331 to the National Electrical Code ("NEC") in order to recognize ENT. Article 331 was ultimately adopted and became a part of the 1984 NEC.

Originally, Carlon manufactured and shipped ENT in six and ten foot lengths. Subsequently, Carlon began to sell ENT in longer lengths shipped in coils. When plaintiff's president, Brian Harvey, became aware of this fact, he was concerned that ENT would become directly competitive with flexible metallic conduit and that it would reduce the market for Alflex's flexible metallic conduit. Alflex and other metallic conduit manufacturers attempted to persuade UL to stop the Listing of Carlon's product.

Mr. Seelbach, UL's Chief Electrical Engineer, believed that that Carlon's coiled plastic product was not in conflict with the language of Article 331. However, in response to challenges to the Carlon product, UL undertook a period of testing and investigation which spanned a three and one-half year period. Based on the tests that the UL engineers deemed applicable to the product, the UL engineers issued a report concluding that in their judgment the product had met UL test requirements and that it could be properly installed. UL submitted that report to its Electrical Council on March 18, 1985, with a request for comments.

After further testing and requests for formal interpretations of Article 331 from the NFPA, on April 17, 1987, UL again reported to its advisory Electrical Council that it intended to List Carlon's product in coilable form. On May 15, 1987, over the objection of members of the advisory council, UL announced that it would List Carlon's ENT in coils. On May 25, 1987, Alflex filed this lawsuit.

Plaintiff's complaint seeks to enjoin defendant from continuing to List the Carlon ENT in coils, and to recover damages for UL's Listing of that product. On June 2, 1987, the Court denied plaintiff's motion for a temporary restraining order. On October 9, 1987, the Court dismissed plaintiff's constitutional and Section 1983 claims. Plaintiff's

remaining claims are for: (1) violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1982); (2) false advertising in violation of *Cal. Bus. & Prof. Code* § 17500; (3) unfair competition and unfair business practices in violation of *Cal. Bus. & Prof. Code* § 17200; (4) breach of contract; (5) breach of the duty of fairness; (6) breach of the duty to exercise due care; and (7) cancellation of the registration of UL's certification Marks pursuant to 15 U.S.C. § 1064(e) (1982).

SECTION 43(a) OF THE LANHAM ACT

Alflex contends that the application of the UL label to Carlon's coiled plastic conduit and to advertising for the product is a false representation and description proscribed by Section 43(a) because the label has an established meaning: that the product labeled is covered in the NEC, that established standards for comparable products have been applied, and that under those established standards, the product is safe. UL asserts that all of the representations which Alflex seeks to infer from the UL Listing constitute engineering judgments and opinions, not statements of objective facts and that Section 43(a) requires a misrepresentation of fact as distinguished from an expression of opinion.

The determination of whether a statement is one of opinion or fact is difficult to make and perhaps unreliable as a basis for decision. *Bose Corp. v. Consumers Union of United States, Inc.*, 692 F.2d 189, 194 (1st Cir.), *aff'd*, 466 U.S. 485 (1984). Therefore, for purposes of this motion, the Court assumes without deciding that the UL Listing may give rise to implicit factual representations.

However, the Court is persuaded by UL's argument that Section 43(a) is limited to actions by and between

competitors. In *Halicki v. United Artists Communications, Inc.*, 812 F.2d 1213, 1214 (9th Cir. 1987), the Ninth Circuit made clear its position that a plaintiff must show injury caused by a competitor in order to state a cause of action under Section 43(a). It is not enough that a plaintiff "show that the defendants made a false representation about his [product] and that he was injured by the representation." *Id.* Otherwise, Section 43(a) would become a "federal statute creating the tort of misrepresentation, actionable as to any goods or services in commerce affected by the misrepresentation." *Id.*

Plaintiff does not dispute that it is not engaged in competition with UL, an organization engaged in testing, not selling, products. As UL is not a competitor and does not engage in activities designed to give it an unfair advantage vis-a-vis a competitor, Section 43(a) does not reach UL's Listing of the Carlon product. Therefore, defendant's motion for summary judgement on the Section 43(a) claim is granted.

FALSE ADVERTISING AND UNFAIR COMPETITION

Alflex contends that UL engaged in false advertising under Section 17500 and unfair competition under Section 17200 of the California Business and Professions Code. UL asserts, among other things, that the First Amendment protects it from liability under Sections 17500 and 17200.[1]

[1] Under California law, it is not UL's burden to assert its constitutional rights as an affirmative defense; instead it is plaintiff's burden to prove that the challenged statement is not constitutionally protected speech. *Blatty v. New York Times Co.*, 42 Cal. 3d 1033 (1986).

In *Blatty v. New York Times Co.*, 42 Cal. 3d 1033, 1044 (1986), the California Supreme Court held that where the gravamen of a plaintiff's claim is an allegedly injurious falsehood, the First Amendment requires that the statement be "of and concerning" the plaintiff to be actionable. Based on this holding, the Court upheld the dismissal of the plaintiff's claims for false and misleading advertising under Section 17500 and for unfair competition under Section 17200. *Id.* at 1049.

Plaintiff does not dispute that the gravamen of its claims of false advertising and unfair competition is the alleged falsehoods implied in the UL Listing of Carlon's product. As this speech is not "of and concerning" Alflex, UL is entitled to summary judgment on these claims under *Blatty*.

BREACH OF CONTRACT

UL and Alflex entered into a Listing and Follow-Up Service Agreement on February 21, 1969. Complaint, Exhibit 1. The Listing Agreement sets forth the terms and conditions upon which Alflex will be allowed to use the UL Listing Mark. *Id.* Alflex seeks to imply additional terms in this contract that would govern UL's decision to List the products of other manufacturers. Alflex relies on cases which allow a court to consider industry custom and practice in supplying a missing term or to otherwise aid in interpreting a contract. *See, e.g., Midwest Televisions, Inc. v. Scott, Lancaster, Mills & Atha, Inc.*, 205 Cal. App. 3d 422, 451 (1988).

The Court finds that the contract is not reasonably susceptible to the additional terms proposed by Alflex. The subject matter of the contract concerns the rights and obligations of Alflex and UL with respect to the Listing

of Alfex's products. If there were matters concerning the Listing of these products that were vague or not covered by the written agreement, the terms necessary for construing the contract might be implied from industry practice or other extrinsic evidence. However, Alflex does not challenge the manner in which UL has Listed its products. Instead, it seeks to imply terms which would preclude the Listing of a competitor's products. Implied-in-fact contract terms cannot be used to so radically alter and expand the underlying agreement of the parties.

Alflex's argument that UL has also breached the implied-in-law covenant of good faith and fair dealing fails for similar reasons. Alflex is not attempting to use the covenant of good faith and fair dealing to protect the express covenants of the contract. Rather, it is attempting to create all new terms which would govern the manner in which UL Lists other products. This is an unwarranted extension of the doctrine.

The covenant may not be used to vary or modify the terms of an unambiguous contract. *Ford v. Manufacturers Hanover Mortgage Corp.*, 831 F.2d 1520, 1524 (9th Cir. 1987) (applying California law). Its scope depends on the contractual purpose. *Egan v. Mutual of Omaha Ins. Co.*, 24 Cal. 3d 809, 818 (1979). As the California Supreme Court recently stated in *Foley v. Interactive Data Corp.*, 254 Cal. Rptr. 211, 232 (1988):

> An allegation of breach of the implied covenant of good faith and fair dealing is an allegation of breach of an "ex contractu" obligation, namely one arising out of the contract itself. The covenant of good faith is read into contracts in order to protect the express covenants or promises of the contract, not to protect some general public policy interest not directly tied to the contract's purpose.

As the unambiguous purpose of the Listing Agreement is to set forth the terms and conditions governing the Listing of Alflex's products, and not the product of anyone else, the covenant cannot be used to define the relationship between UL and a third party. Thus, UL is entitled to summary judgment on the breach of contract claim.

THE DUTY OF FAIRNESS

Alflex contends that UL breached a duty of fairness owed to Alflex when it Listed Carlon's product. Several California cases have held that certain associations with economic power have a duty to follow fair procedure in rejecting applicants for membership or expulsion of members. However, Alflex has not cited any case which does not involve a cause of action by the rejected membership applicant or the expelled former member. *Pinsker v. Pacific Coast Society of Orthodontists*, 1 Cal. 3d 160 (1969); *Ezekial v. Winkley*, 20 Cal. 3d 267 (1977); *Curran v. Mount Diablo Council of the Boy Scouts*, 147 Cal. App. 3d 712 (1983). The Court finds no basis for extending this theory to Alflex's challenge of UL's decision to *accept* the Carlon product for Listing. Thus, UL is entitled to summary judgment on plaintiff's duty of fairness claim.

NEGLIGENCE

Plaintiff's negligence claim is based on two theories. First, Alflex alleges that UL was negligent in the performance of its obligations under the Listing Agreement between UL and Alflex. Second, Alflex contends that UL breached its duty of care under general negligence law. Complaint ¶60.

Since the Court has found that UL did not breach its contract with Alflex by Listing the Carlon product, UL cannot be found liable on a theory of negligent breach of contract.

Under its second negligence theory plaintiff asserts that it has the right to be protected from competition arising from UL's alleged failure to exercise due care in Listing Carlon's product. The six policy factors which must be balanced in determining whether UL owed Alflex a duty of care are: (1) the extent to which the transaction was intended to affect plaintiff; (2) the foreseeability of harm to plaintiff; (3) the degree of certainty that plaintiff suffered injury; (3) [sic] the closeness of connection between the defendant's act and the plaintiff's injury; (5) the moral blame attached to the defendant's conduct; and (6) the policy of preventing future harm. *J'Aire Corp. v. Gregory*, 24 Cal. 3d 799, 804 (1979).

UL's Listing of Carlon's product was not intended to affect Alflex. The alleged competitive injury to Carlon is not "closely connected" to UL's conduct: the testing of new products for compliance with safety standards deemed applicable by UL's engineers. Finally, Alflex has presented no convincing evidence that UL's conduct was morally blameworthy or that public policy otherwise supports a finding of duty in this case. To impose a duty on UL would mean that every time that UL Listed a new product, it would be subject to suit. This would impair the ability of UL to test new products and changing technology in an impartial manner, unbiased by the fear of lawsuits by disgruntled competitors. For all of these reasons, the Court finds that UL owed no duty to Alflex in its decision to List the Carlon product. Thus, UL's motion for summary judgment on the negligence claim is granted.

CANCELLATION OF UL'S MARK

As its final claim, Alflex seeks cancellation of UL's certification Mark under Section 14 of the Lanham Act, on the grounds that UL has failed to control its Mark. 15 U.S.C. § 1064(e)(1) (1982). For the following reasons, this claim must also fail.

As a licensee of UL, Alflex is estopped from seeking cancellation of its licensor's Mark. *See Professional Golfers Association v. Bankers Life and Casualty Company*, 514 F.2d 665, 671 (5th Cir. 1975). Even if Alflex were not estopped, it has not come forward with any evidence that UL has failed to control its Mark. Plaintiff admits that Carlon's product did meet the test requirements deemed applicable by UL. Furthermore, it is not claimed that UL failed to conduct follow-up audits of Carlon's product once it authorized use of the Mark. Therefore, plaintiff's claim of failure to control presents no genuine issue of material fact, and UL is entitled to summary judgment in its favor.

For all of the above reasons, the Court hereby GRANTS defendant's motion for summary judgment on all claims.

It is so ordered.

Dated: March 21, 1989

JOHN G. DAVIES
United States District Judge

Supreme Court, U.S.
FILED
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OFFICE OF THE CLERK

(3)

No. 90-1781

IN THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1991

ALFLEX CORPORATION,

Petitioner,

v.

UNDERWRITERS LABORATORIES, INC.,

Respondent.

PETITIONER'S REPLY TO RESPONDENT'S OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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I.
INTRODUCTION

Petitioner Alflex Corporation ("Alflex" or "Petitioner") is a manufacturer of flexible electrical conduit. On May 26, 1987, Petitioner brought suit against Respondent Underwriters Laboratories, Inc. ("UL" or "Respondent"), the nation's most important certification company. A certification from UL is a *sine qua non* to entry into and competition in the electrical conduit market. Petitioner sought damages and injunctive relief for violation of the Lanham Act, unfair competition, and other claims, arising out of UL's listing of a third party's competitive product when that product failed to and was not required by UL to meet the same standards required of Petitioner and other manufacturers of flexible electrical conduits.

In its petition for certiorari, Petitioner raised the issues of whether Section 43(a) of the Lanham Act is limited to actions between competitors, and whether the California Supreme Court's decision in Blatty v. New York Times Co., 42 Cal. 3d 1033, 233 Cal. Rptr. 542

(1986), cert. denied, 485 U.S. 934 (1988), improperly creates an unprecedented First Amended privilege with respect to false advertising and unfair competition claims.

In its Opposition, Respondent ignores these substantial issues and the clear conflict which exists among the various Circuits.

II.
RESPONDENT IGNORES THE CLEAR CONFLICT AMONG THE CIRCUITS

1. Other Circuits Have Held that the Lanham Act is not Limited to Actions between Competitors.

In its Opinion, the Ninth Circuit explicitly held:

> "In Halicki v. United Artists Communications, Inc. . . . we recently limited the scope of actionable conducts under the Lanham Act ... stating: 'To be actionable, conduct must not only be unfair, but must in some discernible way be competitive.'"

Opinion at A-9 (emphasis added) (quoting Halicki v. United Artists Communications, Inc., 812 F.2d. 1213, 1214 (9th Cir. 1987) (citations omitted). Without even

examining Respondent's conduct, the District Court concluded, and the Ninth Circuit agreed, that Petitioner's suit was barred, simply because:

> "UL's conduct is not competitive . . . UL is not in competition with Alflex. Under Halicki, UL's conduct . . . was not competitive and, therefore, not actionable under the Lanham Act."

Opinion at A-9, A-10 (emphasis added).

Respondent ignores this plain holding and attempts to create a distinction where none exists. Respondent argues:

> "Alflex did not contend that UL engaged in any competitive conduct vis-á-vis Alflex . . . Thus, the Ninth Circuit emphasis is not solely on the status of the parties, but on the nature of defendant's conduct in relation to the plaintiff." (Opposition at 4, 5.)

This position is mere sophistry. First, the Lanham Act has never required that the acts complained of must take place "vis-á-vis" the injured party. See, e.g., Grant

Airmass Corp. v. Gaymar Industries, Inc., 645 F. Supp. 1507, 1512 (S.D.N.Y. 1986) (independent research firm can be held liable under the Lanham Act for misrepresentations having impact on consumers). Second, whether one describes the status of the parties as that of competitors, or the nature of the conduct as competitive,[1] one ends up at the same fundamental question: Is the Lanham Act limited to actions between competitors and (as Respondent puts it) limited to "competitive conduct"? (Opposition at 4.)

As Petitioner clearly demonstrated in its petition, it is not.

In Smith v. Montoro, 648 F.2d 602 (9th Cir. 1981), for example, plaintiff was permitted to maintain suit under the Lanham Act even though he was not in competition

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[1] Indeed, the District Court based its grant of summary judgment in favor of UL on the finding that "UL is not a competitor of Alflex," a statement with which the Ninth Circuit agreed. (Opinion at A-8, A-9.)

with defendant and alleged no competitive injury.[2] The Ninth Circuit considered, and flatly rejected, the very argument put forth by Respondent, emphasizing that Section 43(a) of the Lanham Act gives standing to "any person who believes that he is or is likely to be damaged" (emphasis added). As the Smith Court stated:

> "[T]he plaintiff under Section 43(a) need not be in actual competition with the alleged wrongdoer. . . 'the dispositive question' as to a party's standing to maintain an action under section 43(a) is whether the party 'has a reasonable interest to be protected against false advertising.'"

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[2] Rather than distinguish this case, Respondent argues that the fact that Smith involved "express reverse passing off" is dispositive. (Opposition at 5.) It is not. Express reverse passing off is treated no differently under the Lanham Act than any other unfair practice. As the Court expressly stated in Smith v. Montoro, 648 F.2d, 602, 604 (9th Cir. 1981), restricting the Lanham Act to cases of "passing off" "would be contrary to established case law."

Id. at 607-08 (quoting 1 R. Callman, Unfair Competition, Trademarks and Monopolies, § 18.2(b), at 625 (3d ed. 1967)).[3]

Rather than examine such interests which exist here, Respondent merely concludes that "no similar interests exist here." (Opposition at 5.) This broad conclusory stroke ignores the question and takes an

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[3] Respondent further argues that the fact that the statements made by UL do not refer directly to Petitioner's product is relevant. (Opposition at 5.) It is not. As the 1989 amendments to the Lanham Act make absolutely clear, misrepresentations about another's product are as actionable as misrepresentations about one's own. 15 U.S.C. § 1125(a)(2) (prohibiting one from misrepresenting the nature, characteristics, faculties of "his or her or another person's goods"). As Respondent admits, this amendment merely clarifies prior case law. See also Smith v. Montoro, 648 F.2d 602-03 (9th Cir. 1981) ("the Lanham Act explicitly condemns false designations or representations in connection with "any goods or services").

Here, Respondent's statements (by way of its certification mark) go to the very heart of the safety and standards of the very class of product Petitioner and its competitors sell. As such, Petitioner clearly has a direct interest in the accuracy of such statements. See, e.g., Camel Hair & Cashmere Inst. of America, Inc. v. Associated Dry Goods Corp., 799 F.2d 6, 12 (1st Cir. 1986) (plaintiffs had standing under Lanham Act because of "strong interest" in reputation and quality of class of product).

exceedingly narrow and unrealistic view of the industry involved.[4]

Smith is not the only case which Respondent ignores. Respondent similarly fails to comprehend the plain language of Lamothe v. Atlantic Recording Corp., 847 F.2d 1403 (9th Cir. 1989). In that case, the Ninth Circuit held that plaintiffs had standing to sue all defendants in the case, even those with whom they did not compete, because plaintiffs had established "a legitimate interest in protecting their work." Id. at 1406.

In short, the rationale of "limiting" the Lanham Act evidenced in the Opinion below and in Halicki v. United Artists Communications, Inc., supra, is clearly at

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[4] Respondent often notes its status as a "neutral" third party; and indeed, this is how Respondent is supposed to behave. But Respondent does more than simply certify -- it sets standards in Petitioner's industry and issues a well-known mark prominently used by Petitioner's competitors to advertise and sell their competing products. The UL mark is a critical selling point for a product, and one for which Petitioner must pay a high price, both in obtaining a listing and meeting UL's standards. If (as happened here), one party is forced to meet higher (and correspondingly more expensive) standards than its competitors in order to receive the very same certification mark, obvious damage to the marketplace results.

odds with previous Ninth Circuit cases. It also creates an obvious split among the Circuits.[5] For example:

In Thorn v. Reliance Van Co., 736 F.2d 929, 932 (3d. Cir. 1984), the Third Circuit held:

> "Under a plain meaning interpretation of section of 43(a) it is this court's function to grant standing to [plaintiff] if he is a person who believes that he has been damaged by [defendant's] use of false representations." (Emphasis added.)

Similarly, in Berni v. International Gourmet Restaurants of America, Inc., 838 F.2d 642, 648 (2d Cir. 1988), the Second Circuit stated:

> "Although a section 43 plaintiff need not be a direct competitor, it is apparent that, at a minimum, standing to bring a section 43 claim re-

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[5] Contrary to Respondent's assertion (Opposition at 6 n.5), the split within the Ninth Circuit itself cannot be ignored, particularly when conflicts also exist among the Circuits. See, e.g., Scarborough v. United States, 431 U.S. 563, 567 n.4 (1977); Dickinson v. Petroleum Conversion Corp., 338 U.S. 507, 508 (1950).

quires the potential for a commercial or a competitive injury." (Emphasis added.)

In Dovenmuehle v. Gilldorn Mortgage Midwest Corp., 871 F.2d 697, 700 (7th Cir. 1989), the Seventh Circuit clarified this holding, explaining:

"A party need not be in direct competition with a defendant to challenge a defendant's practices under the Act. All a commercial party needs to bring suit under the Act is a 'reasonable interest to be protected' against activities that violate the Act." (Citations omitted, emphasis added.)

See also Spring Mills, Inc. v. Ultracashmere House, Ltd., 724 F.2d 352, 357 (2d Cir. 1983) ("competitive injury" is not required for recovery under section 1125(a)); Grant Airmass Corp. v. Gaymar Industries, Inc., supra, 645 F. Supp. at 1511.

And in Camel Hair & Cashmere Inst., Inc. v. Associated Dry Goods Corp., 799 F.2d 6, 11-12 (1st Cir. 1986), the First Circuit stated: "The requirement that the plaintiff have a reasonable interest in being

protected" means that "plaintiff must show a link or 'nexus' between itself and the alleged falsehood." (Emphasis added.)

These readings of section 43(a) are consistent with the clear purpose of the Lanham Act which, contrary to Respondent's view, seeks to ensure fair competition by protecting against all manner of false representation, direct or indirect, which threaten the marketplace. As one court has put it, the Lanham represents an "affirmative code of business conduct" which dictates that:

> "[One] may not destroy the basis of genuine competition by destroying the buyer's opportunity to judge fairly between rival commodities by introducing. . . factors . . . which are capable of misinforming as to the true qualities of the competitive products."

Gold Seal Co. v. Weeks, 129 F. Supp. 928, 940 (D. D.C. 1955), aff'd sub nom, S.C. Johnson & Sons, Inc. v. Gold

Seal Co., 230 F.2d 832 (D.C. Cir.) (per curium), cert. denied, 352 U.S. 829 (1956).[6]

As a result, any party who believes that he may be injured, directly or indirectly, as a result of misrepresentations about any product may bring suit under the Lanham Act. The link between the misrepresentation and the complaining party's products need not be direct or "competitive"; instead it must simply have the potential to undermine the marketplace. In Camel Hair and Cashmere Institute of America, Inc. v. Associated Dry Goods Corp., supra, for example, the court found a sufficient link existed between vendors of cashmere products and misrepresentations made regarding non-competitive cashmere products, simply because such vendors had an interest in "preserving cashmere's reputation as a high quality fibre." 799 F.2d at 12.

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[6] Respondent's statement that the parties in Gold Seal were competitors is misleading. While the parties were competitors generally, they were not competitors regarding the products at issue. 129 F. Supp. at 940 n.34.

Petitioner demonstrated that it had a reasonable interest in the reputation and quality of flexible electrical conduit, as well as in ensuring that Respondent handle its certification procedures relating to Petitioner's products and those of its competitors fairly and equitably across the board. Petitioner reasonably believed it would be injured by Respondent's actions in favoring the product of a competitor. As a result, under the rationale of the cases cited above, summary judgment was not appropriate and the standard employed by the Opinion below in following Halicki v. United Artists Communications, Inc. and ignoring other precedent was incorrect.

2. Respondent's Reliance on Alternative "Grounds" for Summary Judgment are Both Irrelevant and Incorrect.

Although not raised by Petitioner (and not at issue), Respondent attempts to show that summary judgment was justified for "other" reasons. In making this argument, Respondent misrepresents the law on four distinct issues.

First, Respondent states: "The Lanham Act prohibits two different types of conduct, passing off and false advertising." (Opposition at 9.) This is a gross simplification. See, e.g., Smith v. Montoro, supra, 648 F.2d at 604 (the law of unfair competition "has progressed far beyond the old concept of fraudulent passing off, to encompass any form of competition or selling which contravenes society's current concepts of 'fairness'") (quoting 2 J.T. McCarthy Trademarks and Unfair Competition § 25.1 (1973)).

Second, Respondent argues that UL is exempt under the Act because it does not "engage in commercial advertising." This, too, is not dispositive. See, e.g., Grant Airmass Corp. v. Gaymar Industries, Inc., supra, 645 F. Supp. at 1511-12 (independent research firm's assertion that it was not a member of the chain of distribution of the advertised goods "does not automatically exclude it from liability as a contributory infringer under the Lanham Act"). See also Bose Corp. v. Consumers Union of U.S., Inc., 508 F. Supp. 1249 (D. Mass.

1981), rev'd on other grounds, 692 F.2d 189 (1st Cir. 1982), aff'd, 466 U.S. 485 (1983) (although ultimately unsuccessful, manufacturer's claims of bias against testing organization survived to trial).[7]

Third, Respondent contends that it did not cause flexible conduit to enter commerce. (Opposition at 10.) This, too, is a smokescreen. Respondent's own listing agreement requires and contemplates that the mark will be used in commerce; indeed, the UL mark is meaningless unless it is used in commerce to distinguish products from one another and to vouch for their safety. As such, it is clearly subject to the Lanham Act. See. e.g., Grant Airmass Corp. v. Gaymar Industries, Inc., supra, 645 F. Supp. at 1512 ("a defendant who supplies another with instruments by which another commits a tort may be found liable. . . The test is whether wrongdoing by

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[7] In addition, although the issues never were reached below, UL's conduct may well have involved misleading statements about the fairness of its own certification procedures, which misrepresentations would be actionable under the Lanham Act. See, e.g., Bose Corp. v. Consumers Union of U.S., Inc, supra, 508 F. Supp. at 1277.

the purchaser might well have been anticipated"). See also Bose Corp. v. Consumers Union of U.S., Inc., supra, 508 F. Supp. at 1277.

Last, Respondent argues that listing of a competitor's product is not commercial speech and is protected by the First Amendment. (Opposition at 10, 12 n.6.) The First Amendment has never acted as a shield protecting misrepresentations regarding a products' qualities or origins. Contrary to Respondent's assertion, Bose Corp. v. Consumer's Union of U.S., Inc., supra, does not stand for the broad proposition that all "independent product evaluations constitute protected First Amendment speech." (Opposition at 8 n.6). Indeed, in the Bose decision itself, this Court noted that "there is no constitutional value in false and misleading statements." 466 U.S. at 504 n.22 (quoting Gertz v. Robert Welch, Inc., 418 U.S. 323,340 (1974)).[8]

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[8] Moreover, the facts in Bose are vastly different than those of the present case. Bose involved a media defendant. As a result, any trade libel claims had to be considered under the standards announced in New York Times Co. v. Sullivan,

(continued...)

III.
THE NINTH CIRCUIT IMPROPERLY APPLIED FIRST AMENDMENT PRINCIPLES

Contrary to Respondent's position, the California Supreme Court's decision in Blatty v. New York Times Co., 42 Cal. 3d 1033 (1986), cert. denied, 485 U.S. 934 (1988) was not based solely on the California Constitution. As the California Supreme Court specifically noted: "Throughout this opinion we have used 'First Amendment' to refer not only to that provision of the United States Constitution, but also to article I, section 2 of the California Constitution." 42 Cal. 36 at 1049 n. 4,

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[8](...continued)
376 U.S. 254 (1964); this does not suggest, however, that all of defendant's speech was protected. No mention is made of the Lanham Act.

In the present case, Respondent is not a media defendant. Instead, UL sets standards which manufacturers must meet in order to gain entry to and compete effectively in the marketplace. This is not a case of trade libel; Petitioner does not claim that UL disparaged its product. Instead, Petitioner maintains that UL required it to meet extensive (and expensive) test requirements and maintain specific manufacturing protocols – only to then turn around and allow Petitioner's competitors to meet entirely different, and far less draconian, requirements. Such actions do not implicate the freedom of speech, but they do directly and adversely affect competition in the marketplace for flexible conduit.

232 Cal. Rptr. at 552 n.4, 728 P. 2d at 1187 n.4. See also Opinion at A-22. While the court relied "primarily" upon the California Constitution, it is unquestionable that the decision also implicated federal rights and privileges. As a result, in misapplying Blatty, the Ninth Circuit has created an unprecedented First Amendment privilege which touches both the federal and the California constitutions. Under either scenario, review is appropriate.

On the federal level, it is inconceivable and unprecedented that the First Amendment restrictions enunciated by the Ninth Circuit apply in a context bearing no resemblance to defamation. This is a First Amendment privilege never before recognized by any court. Interpreted as such, the First Amendment would bar numerous common law and statutory causes of action, such as fraud, misrepresentations in violation of the securities acts, and false advertising under the Lanham Act. As the highest arbiter of federal law, this Court can review conflicts between a federal court and the

highest state court over a federal question. See, e.g., Andresen v. Maryland, 427 U.S. 463, 470 n.5 (1976). In addition, this Court has a special interest in testing "judgments against the guarantees of the First and Fourteenth Amendments." Jacobellis v. Ohio, 378 U.S. 184, 190 (1964).

Respondent argues that -- even if the Ninth Circuit's application rested solely on First Amendment principles -- review would be inappropriate because the decision rests on adequate and independent state grounds. Opposition at 11 n.7. This argument misses the point. A clear misapplication of state law which results in the effective nullification of federal rights cannot stand.

Moreover, even if one assumes that the privilege announced by the Ninth Circuit was based entirely upon the California Constitution, review would still be appropriate for two reasons: First, while this Court normally defers to the interpretation of state law of the lower federal courts, the interpretation proffered by the

Ninth Circuit is clearly unreasonable, wrong, and worthy of review. See, e.g., Propper v. Clark, 337 U.S. 472, 486-87 (1949). Second, a clear conflict between a federal court and the highest court of a state over an interpretation of state law cannot be ignored. The Ninth Circuit has interpreted article I, section 2 of the California Constitution in a manner which creates a clear conflict with decisions announced by the California Supreme Court.[9] Review is appropriate to

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[9] For example, the California Supreme Court has not required that a statement be "of and concerning" plaintiff in situations involving falsehoods unrelated to defamation. See, e.g., Schroeder v. Auto Driveway Co., 11 Cal. 3d 908, 917, 114 Cal. Rptr. 622 (1974).

The Ninth Circuit decision, of course, implies that an "of and concerning" is now part and parcel of all California cases involving any injurious falsehood. This is unprecedented; no court has extended Blatty to privilege such non-defamatory falsehoods. See, e.g., Dong v. Board of Trustees, 191 Cal. App. 3d 1572, 236 Cal. Rptr. 912 (1987), cert. denied, 484 U.S. 1019 (1988); Basilius v. Honolulu Publishing Co., 711 F. Supp. 548, 552 (D. Haw.), aff'd mem, 888 F.2d 1394 (9th Cir. 1989); Dworkin v. Hustler Magazine, Inc., 668 F. Supp. 1408, 1417 n.11 (C.D. Cal. 1987), aff'd, 867 F.2d 1188 (9th Cir.), cert. denied, 107 L. Ed 2d 26 (1989). See also Hudson v. Guy Gannett Broadcasting Co., 521 A.2d 714, 715 n.2 (Maine 1987); Saenz v. Morris, 106. N.M. 530, 746 P.2d 159, 162 (N.M. App. 1987).

resolve these conflicts as well. See, e.g., Six Companies v. Highway District, 311 U.S. 180 (1940).

In short, because it casts doubt upon both federal law and state law, review of the Ninth Circuit's opinion is appropriate.

CONCLUSION

For the foregoing reasons, the Petition for Writ of Certiorari should be granted.

Dated: September 24, 1991

Respectfully submitted,

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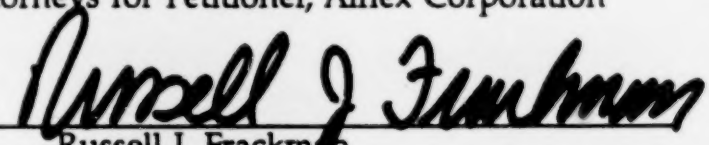
By: 
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APPENDIX

NOT FOR PUBLICATION

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

ALFLEX CORPORATION,	No. 89-55440
Plaintiff-Appellant,	D.C. No. CV 87-3344 JGD
vs.	
UNDERWRITERS LABORATORIES, INC.,	
Defendant-Appellee.	

Appeal from the United States District Court
for the Central District of California
John G. Davies, District Judge, Presiding

Argued and Submitted June 6, 1990
Pasadena, California

Before: BROWNING and PREGERSON, Circuit Judges, and MACBRIDE, District Judge*

* The Honorable Thomas J. MacBride, United States District Judge for the Eastern District of California, sitting by designation.

Alflex Corporation (Alflex) appeals summary judgment for Underwriters Laboratories (UL) on all of Alflex's claims. We affirm.

BACKGROUND

Alflex manufacturers flexible aluminum conduit, a building material designed to hold and protect electrical wiring. Because of its flexibility and durability, the product can be used in coils and quickly installed by pulling it through and around obstructions. Alflex's flexible aluminum conduit is UL-approved.

UL is a nonprofit testing and certification organization that assesses products for possible hazards to life and property. UL lists certified products in directories which are consulted and

relied upon by consumers and by state and municipal electrical inspectors.

In its assessment and testing procedures, UL customarily refers to the National Electrical Code (NEC) to design performance standards for the products submitted to it. The NEC is sponsored as a model code by the National Fire Protection Association (NFPA) and has been widely adopted by states and municipalities.

The controversy in this case concerns UL's testing and certification of a flexible plastic conduit manufactured by Carlon, an Alflex competitor. Carlon's product is capable of being used like the Alflex product in some applications. Although the plastic product can be used like the aluminum product, UL certified the plastic material without requiring it to meet the same performance standards

PUBLISHER'S NOTE:

ORIGINAL PAGINATION IS NOT CONTINUOUS.

safe. Alflex contends that Carlon's product was not covered by the NEC and that it was not required to meet the same safety requirements as Alflex's flexible aluminum conduit. Thus, Alflex asserts that UL's listing of Carlon's product is a false representation that results in a competitive injury to Alflex.

The district court granted summary judgment for UL on all of Alflex's claims, consisting of: 1) violation of 15 U.S.C. § 1125(a) (false representation under the Lanham Act); 2) breach of contract under California law; 3) breach of the covenant of good faith and fair dealing under California law; 4) negligence under California law; 5) unfair competition under Cal. Bus. & Prof. Code § 17200; 6) false advertising under Cal. Bus. & Prof. Code § 17500; 7) failure of UL to control its mark, giving Alflex a right to have the mark canceled under 15

U.S.C. § 1064(e)(1) (Lanham Act, § 14). Alflex appeals.

STANDARD OF REVIEW

A grant of summary judgment is reviewed de novo. Kruso v. International Telephone & Telegraph Corp., 872 F.2d 1416, 1421 (9th Cir. 1989), cert. denied, 58 U.S.L.W. 3801 (1990); State Farm Fire and Casualty Co. v. Martin, 872 F.2d 319, 320 (9th Cir. 1989). Our review is governed by the same standard used by the trial court under Fed. R. Civ. P. 56(c). Darring v. Kincheloe, 783 F.2d 874, 876 (9th Cir. 1986). We must determine, viewing the evidence in the light most favorable to the nonmoving party, whether there are any genuine issues of material fact and whether the district court correctly applied the relevant substantive law. Tzung v. State Farm Fire and

Casualty Co., 873 F.2d 1338, 1339-40 (9th Cir. 1989); Judie v. Hamilton, 872 F.2d 919, 920 (9th Cir. 1989).

DISCUSSION

I. Violation of Section 43(a) of the Lanham Act

As stated above, Alflex argues that UL's listing of Carlon's product created a false representation that Carlon's product is covered by the NEC and that it met the same performance requirements as Alflex's product. Alflex asserts that this listing constitutes actionable "false representation" under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).[1]

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[1] At the time Alflex brought the suit, 15 U.S.C. § 1125(a) (1982) provided in pertinent part:

> Any person who shall affix, apply, or annex, or use in connection with any goods or services, . . . any false description or representation, including words or other symbols tending falsely

(continued...)

The District Court granted UL's motion for summary judgment. It found that since "UL is not a competitor [of Alflex] and does not engage in activities designed to give it an unfair advantage vis-a-vis a competitor, Section 43(a) does not reach UL's listing of the Carlon product."

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[1](...continued)

> to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such . . . description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person . . . who believes that he is or is likely to be damaged by the use of any such false description or representation.

This Act was amended effective November 1989. We need not decide, however, whether to apply the amended version of section 43(a) to this appeal. The amendment does not affect the district court's or our analysis of this issue.

We agree with the district court. In Halicki v. United Artists Communications, Inc., 812 F.2d 1213 (9th Cir. 1987), we recently limited the scope of actionable conduct under the Lanham Act. There, the plaintiff, a movie producer, contended that the defendants, several movie theater owners, wrongly attached an "R" rating to plaintiff's "PG" movie, thereby adversely affecting plaintiff's profits. We affirmed summary judgment against the plaintiff stating: "The statute is directed against unfair competition. To be actionable, conduct must not only be unfair but must in some discernable way be competitive." Id. at 1214. See also Lamothe v. Atlantic Recording Corp., 847 F.2d 1403 (9th Cir. 1988) (quoting Halicki for the proposition that actionable conduct must be competitive).

Here UL's conduct is not competitive. UL is a non-profit organization set up to promulgate safety

requirements for thousands of electrical products. UL is not in competition with Alflex. Under Halicki, UL's conduct in listing Carlon's product was not competitive and, therefore, not actionable under the Lanham Act. Thus, summary judgment was proper on the Lanham Act claim.

II. Breach of Implied-in-Fact Contract Term

Alflex argues that its Listing Agreement with UL has an implied term obliging UL to list and certify only products meeting appropriate requirements. Alflex contends that the Agreement's references to "listing requirements" imply that the requirements for the evaluated product are the same as the requirements for other products used in the same manner. Alflex believes that UL breached the implied term of its agreement by listing Carlon's product, which is used for some of the same

purposes as Alflex's product, but was not required to meet the same safety standards. Alflex contends that it was denied the opportunity to present extrinsic evidence of applicable industry custom and practice to demonstrate what the parties intended with respect to listing requirements. It therefore insists that summary judgment was improper, because the intent of the parties concerning one of the contract's key terms is a genuine issue of material fact. We disagree.

The district court correctly found the Listing Agreement was "not reasonably susceptible to the additional terms proposed by Alflex."

Alflex relies on Midwest Television, Inc. v. Scott, Lancaster, Mills & Atha, Inc., 205 Cal. App. 3d 442, 252 Cal. Rptr. 573, 579 (1988). In Midwest the court stated that industry custom and practice

evidence is admissible to supply a missing term or aid in interpreting ambiguous contract terms, but may not "alter or vary the terms of the contract." 205 Cal. App. at 451, 252 Cal. Rptr. at 579. Here, however, Alflex does not contend that the terms of the listing agreement are ambiguous in any respect, rather, it seeks to imply a new term controlling UL's listing of other manufacturer's products.

The Listing Agreement between Alflex and UL outlines each party's rights and obligations with respect to UL listing Alflex's products. The contract's references to listing requirements do not suggest in any way that UL's obligations to Alflex are conditioned by its relationship with third parties. As stated above, Alflex is seeking to use custom and practice evidence to imply a term that would control UL's listing of other manufacturer's products. We agree with the district court that "[i]mplied in fact

contract terms cannot be used to so radically alter and expand the underlying agreement." Summary judgment was appropriate on Alflex's claim of breach of implied contractual term.

III. Breach of Implied-in-Law Covenant of Good Faith and Fair Dealing

Alflex asserts that UL breached an implied covenant of good faith and fair dealing in the listing agreement between Alflex and UL by denying Alflex the benefits it reasonably expected from the agreement. Alflex expected that, by obtaining UL certification, that it would gain access to a market restricted to competitors with products that comply with UL's standards for flexible metal conduit. Alflex contends that UL's certification of Carlon's product constitutes breach of the covenant because it forces Alflex to compete against a UL-certified

manufacturer that has not met the standard for flexible metal conduit.

"Every contract imposes upon each party a duty of good faith and fair dealing in its performance and its enforcement." (Rest. 2d Contracts, § 205). The obligation imposed is that neither party "do anything to injure the right of [the other party] to receive the benefits of the agreement." Ohashi v. Verit Industries, 536 F. 2d 849, 853 (9th Cir.), cert. denied, 429 U.S. 1004 (1976). However, this implied covenant may not be used to vary or modify the express terms of an unambiguous contract, Ford v. Manufacturer's Hanover Mortgage Corp., 831 F. 2d 1520, 1524 (9th Cir. 1987), but rather "is read into contracts in order to protect the express covenants or promises of the contract." (emphasis added). Foley v. Interactive Data Corp., 47 Cal. 3d

654, 690, 765 P. 2d 373, 394, 254 Cal. Rptr. 211, 232 (1988).

The district court correctly held that the Listing Agreement was unambiguous in its purpose to set forth the terms and conditions governing the Listing of Alflex's products. There is no provision in the contract that addresses any product other than the product submitted by Alflex and there is no term allowing Alflex to question or challenge the Listing of any third party's products. Thus, Alflex was not attempting to use the covenant to protect the express terms of the contract but rather to imply new terms to control UL's Listing of other manufacturer's products. Because the implied covenant is not relevant here, summary judgment was proper.

IV. Negligence Claim

Alflex argues that UL breached a duty of care owed to Alflex by improperly certifying flexible plastic conduit and proximately causing damage to Alflex in the form of unfair competition and lost sales.

For support Alflex relies on J'aire Corp. v. Gregory, 24 Cal. 3d 799, 598 P. 2d 60, 157 Cal. Rptr. 407 (1979). Alflex believes that the application of the six factor analysis set forth in J'aire establishes a duty of care for UL to protect Alflex from competition arising from UL's alleged failure to exercise due care in Listing Carlon's product. The six factors are: 1) the extent to which the transaction was intended to affect the plaintiff; 2) the foreseeability of harm to the plaintiff; 3) the degree of certainty that the plaintiff suffered injury; 4) the closeness of the

connection between the defendant's conduct and the injury suffered, 5) the moral blame attached to defendant's conduct; and 6) the policy of preventing future harm. L'aire, 24 Cal. 3d at 804, 598 P. 2d at 63, 157 Cal. Rptr. at 410.

Although it may have been foreseeable that listing Carlon's product might increase competition in the conduit market, our analysis of all these factors compels us to conclude that the district court properly granted summary judgment for UL on this claim. First, Alflex showed no evidence that UL intended to affect Alflex by listing flexible plastic conduit. UL's purpose is to provide products with safety certification, not to regulate competition between manufacturers of electrical conduits. Additionally, while Alflex alleged $100,000,000 in damages, it has shown no evidence of its purported lost market share or lost profits, thus it is clearly not

"certain" that Alflex has suffered injury. Furthermore, Alflex has presented no convincing evidence that UL's conduct was morally blameworthy or that creating such a duty would prevent future harm. In fact, the district court perceptively noted that creating a duty could potentially cause future harm:

> To impose a duty on UL would mean that every time that UL listed a new product, it would be subject to suit. This would impair the ability of UL to test new products and changing technology in an impartial manner, unbiased by the fear of lawsuits by disgruntled competitors.

Therefore, summary judgment was properly granted.

V. False Advertising and Unfair Competition

Alflex contends that UL engaged in unfair business practices under section 17200 and false advertising under section 17500 of the California Business and Professional Code.[2] Alflex contends

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[2] Cal. Bus. & Prof. Code § 17200 states:

> As used in this chapter, unfair competition shall mean and include unlawful, unfair or fraudulent business practice and unfair, deceptive, untrue or misleading advertising and any act prohibited by Chapter 1 (commencing with Section 17500) of Part 3 of Division 7 of the Business and Professions Code.

Section 17500 reads:

> It is unlawful for any person, firm, corporation, association, or any employee thereof with intent directly or indirectly to dispose of real or personal property or to perform services, professional or otherwise, or anything of any nature whatsoever or to induce the public to enter into any obligation relating thereto, to make or disseminate or cause to be made or disseminated before the public in this state, or to make or disseminate

(continued...)

that UL was unfair in its business practice by applying less stringent standards for certification of flexible plastic conduit, creating undue competitive hardship for Alflex. Further, Alflex contends, UL's certification, when attached to Carlon's product,

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[2](...continued)

> or cause to be made or disseminated from this state before the public in any state, in any newspaper or other publication, or any advertising device, or by public outcry or proclamation, or in any other manner or means whatever, any statement concerning such real or personal property or services, professional or otherwise, or concerning any circumstance or matter of fact connected with the proposed performance or disposition thereof, which is untrue or misleading, and which is known, or which by the exercise of reasonable care should be known, to be untrue or misleading, or for any such person, firm, or corporation to so make or disseminate or cause to be so made or disseminated any such statement as part of a plan or scheme with the intent not to sell such personal property or services, professional or otherwise, so advertised at the price stated therein, or as so advertised. Any violation of the provisions of this section is a misdemeanor punishable by imprisonment in the county jail not exceeding six months, or by a fine not exceeding two thousand five hundred dollars ($2,500), or by both.

created a false or misleading impression among consumers.

The district court properly held that under Blatty v. New York Times Company, 42 Cal. 3d 1033, 728 P. 2d 1177, 232 Cal. Rptr. 542 (1986), cert. denied, 485 U.S. 934 (1988), Alflex's claims under sections 17200 and 17500 should be dismissed.

In Blatty, the California Supreme Court held that where "the alleged injurious falsehood of a statement is the gravamen of the plaintiff's claim . . . the statement . . . must be 'of and concerning' the plaintiff in some way." Id. at 547. Based on this holding the Court affirmed the dismissal of Blatty's claims under Cal. Bus. & Prof. Code §§ 17200 and 17500. Id. at 552.

We find Blatty controlling in this case because the holding was based on the California Supreme Court's interpretation of article I, section 2, of the California Constitution.[3]

Here, Alflex does not dispute that the gravamen of its unfair competition and unfair business practice claims is the alleged injurious falsehood implied in the UL Listing of Carlon's product. And, we agree with the district court that UL's "speech is not 'of and concerning' alflex." Thus, we hold that the district court's grant of summary judgment on these claims was appropriate.

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[3] In Blatty the court stated that "Throughout this opinion we have used 'First Amendment' to refer not only to that provision of the United States Constitution, but also to article I, section 3 of the California Constitution. It is the latter on which we primarily rely." 42 Cal. 3d at 1049, n. 4, 232 Cal. Rptr. at 552, n. 4, 728 P. 2d at 1187, n. 4.

VI. Cancellation of Mark Under § 14(e) of the Lanham Act

Alflex seeks to cancel registration of UL's certification mark under 15 U.S.C. § 1064(e)(1) (1982)[4] on the grounds that UL has failed to control the mark. However, we agree with the district court that

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[4] The relevant portion of the section reads:

> A verified petition to cancel a registration of mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed by any person who believes that he is or will be damaged by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or the Act of February 20, 1905 –
>
> * * * *
>
> e) at any time in the case of a certification mark on the ground that the registrant . . . does not control, or is not able legitimately to exercise control over, the use of such mark . . . ."
>
> This section was amended in 1988, but the amendment does not affect the present case.

Alflex produced insufficient evidence of UL's failure to control its mark to warrant cancellation.

AFFIRMED.